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The Federal Communications Commission
Washington D.C. 20554

Federal-State Joint Board on
Universal Service (FCC 96-93)

CC Docket No. 96-45

The Council of the Great City Schools, the coalition of the largest central city school districts of the nation, requests the consideration of the following comments regarding the E-Rate Proposal of the Secretaries of the Departments of Education, Commerce and Agriculture submitted on October 10, 1996 to the Notice of Proposed Rulemaking on Universal Service.

SUMMARY

The Council of the Great City Schools expresses its support for the "Tiered E-Rate" proposal submitted on October 10, 1996 by the Secretaries of Education, Commerce, and Agriculture to the Joint Board and Commission. The Council elaborates upon the Secretaries' proposal by:

1. Recommending a number of cost containment concepts, particularly for the Tier 1 Basic Program; and
2. Highlighting an existing low-income indexing system for schools from current federal education law, which appears directly applicable to the universal service fund discount structure, particularly for the Tier 2 Advanced Services Program.

The Council has seen no other proposal or recommendation which holds the promise of providing universal service to schools and libraries as expeditiously and cost-effectively as the Secretaries' proposal addressed in this filing.

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FURTHER COMMENTS OF THE COUNCIL OF THE GREAT CITY SCHOOLS

1. **SUPPORTING THE "TIERED E-RATE" PROPOSAL OF THE SECRETARIES OF THE DEPARTMENTS OF EDUCATION, COMMERCE, AND AGRICULTURE** -- The Council of the Great City Schools supports the framework and concept of the "Tiered E-Rate Proposal" of the Secretaries of Education, Commerce and Agriculture to achieve a basic level of universal connectivity by the year 2000 at no cost to schools or libraries. This proposal would ensure basic information capability and telecommunications access for all the nation's schools and libraries. This proposal would allow rapid deployment of such capability in order to bring on-line nearly half of the nation's schools which have yet to achieve Internet access. The Tier 1 Basic Program also would be beneficial to the nation's high poverty schools of which less than a third have attained this access to date. The proposal by the three Secretaries would level the playing field expeditiously for all schools by ensuring that the "have" and the "have not" schools equally attain basic telecommunications access.

2. **EXPEDITIOUSLY PROGRESSING TO UNIVERSAL SERVICE WITH REASONABLE COSTS AND SCOPE** -- The "Tiered E-Rate" proposal of the Secretaries of Education, Commerce and Agriculture would make progress to universal service with reasonable scope and cost. The Council shares the Departments' concern that the universal service fund (USF) not be approached as an unlimited financial resource. Providing a very basic Tier 1 package of connectivity, which includes the installation and monthly line and Internet service charges for all schools. This addresses the threshold issue of universal access, and thereafter allows further USF reimbursement solely for the neediest schools under the Tier 2 package of service. This type of limited utilization of a subsidized "Fund" is both in the national

interest, and within the bounds of economic reality. The Council believes that the following cost containment concepts are essential, though not necessarily explicit, for the efficient operation of the Secretaries' proposal:

- The basic Tier 1 "no cost" program is limited to the initial installation and monthly line and Internet service charges;
- The scope of the USF reimbursement is cost-contained through the use of competitive bids;
- The basic Tier 1 program must not subsidize greater capacity than the size of the student population of that school would dictate (i.e. 56Kbps for schools with small enrollments);
- The basic Tier 1 program should not subsidize or establish a "migrating credit" for installation costs in schools which are already wired to the information superhighway, thus limiting the Tier 1 Basic Program cost for such schools to the monthly line and Internet service fees;
- The discounts for the Tier 2 Advanced Services Program, including "to-the classrooms" connectivity, which are reimbursed from the USF would be available only for schools in high cost areas and for schools in low-income areas.

3. ESTABLISHING A SIMPLE TIER 2 DISCOUNT STRUCTURE USING THE EXISTING LOW-INCOME INDEX UNDER CURRENT FEDERAL EDUCATION LAW -- The Tier 1 proposal of the three Secretaries is simple and straightforward -- provide necessary

installation of basic connections, and monthly line and Internet service at no cost to the school or library.

However, the Tier 2 discount for the so-called advanced or supplemental services is not fully enumerated in the Secretaries' October 10, 1996 filing. The proposal properly provides the Tier 2 discount only for low-income areas and for high cost areas. It also allows other schools and libraries which are not in high cost or low-income areas to benefit from the Tier 2 program of advanced services by establishing a best available commercial rate mechanism, though not a USF subsidy. While the Commission and the Board have significant experience in administering high cost program subsidies, the familiarity with school-based low-income demographics is probably less extensive. Therefore, an explanation of the directly applicable thirty year foundation of school-based, low-income demographics found in federal education law seems warranted.

A. The ESEA Title I Low-Income Formula -- *Title I of the Elementary and Secondary*

Education Act (ESEA) enacted in 1965 and still operating as the nation's largest federal grant-in-aid program for schools provides federal funding to school districts and then to eligible schools within those school districts on a statutory mathematical formula based on the number of low-income children residing or served in their geographic service area. This weighted funding system of federal aid has been vetted and fine-tuned at least five times in the past thirty years without changing the fundamental premise of providing more aid to school districts and their schools with high concentrations of low-income children. Over four decades the United States Congress has determined that the

utilization of low-income demographics for school-age children is the best available indicator of need and ability to pay for these important educational services.

The Council of the Great City Schools believes that the *ESEA Title I* low-income formula provides a perfect mechanism upon which a sliding Tier 2 USF discount scale can be structured. Whether the Board and Commission decide to base the USF discount structure on school-level low-income factors or on school district low-income factors, the *ESEA Title I Program* contains existing statutory requirements which already have created the applicable data.

B. School-Level Low-Income Data -- *Section 1113(a) of ESEA Title I* (20 USC 6313)

requires the ranking of a school attendance areas by percentage of low-income children -- hence providing a school-level data base for all schools, except for a few hundred non-participating school districts in the country and for these few exceptions provides an institutionalized procedure which can readily be implemented by even non-participating school districts. (Note: A further complication, though minor, in using school-level low-income data is that any of four indices are acceptable, although only free/reduced price lunches and Aid to Families With Dependent Children (now TANF) are operationally used (see *Section 6313(a)(5) of ESEA*), therefore requiring an additional equating process between these data sources -- a procedure reference in the use of comparable but different poverty data between public and private schools in 34 CFR 200.28(a)(2)(i)).

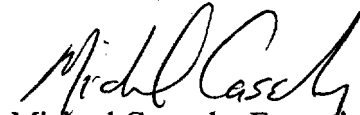
C. School District Low-Income Data -- The same *Section 1113(a)(2)(B)* states the requirement that the low-income percentage for the school district as a whole be established -- hence providing an existing data base for school district level low-income data, if the Board and Commission decides to base the discount scale on school district, rather than individual school level data. Better yet, however, *Sections 1122-1125 of ESEA Title I* (20 USC 6332-6335) establishes formula procedures for a federal-level determination of the number and percentage of low-income children for each of the nation's nearly 16,000 school districts based upon the Census and biennial updates. In fact, *Section 1125(c)(2) of ESEA* (20 USC 6335(c)(2)) establishes by statute a five-tiered weighting system for school districts based on ascending numbers or percentages of low-income children, which could be directly applicable to a USC discount sliding scale allowing for deeper discounts for higher concentrations of poverty. Since school districts serve an identified number of census tracts, this ESEA statutory low-income weighting system also is applicable to public library systems which serve analogous census tracts as well.

D. Recommendation -- Based on the foregoing considerations, the Council of the Great City Schools recommends that Tier 2 sliding scale of low-income discounts be established by the Commission for school district jurisdictions, rather than for individual schools. School districts comprise a geographic area from which local governmental revenue, however limited, is raised, and thereafter is distributed to individual schools. Individual schools, on the other hand, do not have revenue-generating authority and do not raise their own revenue from their student attendance area. Therefore, the "ability to pay" or

"need" of a local educational jurisdiction is best reflected in the overall low-income composition of the school district.

4. CONCLUSION -- The Council of the Great City Schools, an organization whose primary interest is ensuring that the neediest schools and school children are not left behind in antiquated schools with inadequate services and equipment, finds a practical framework in the Tiered E-Rate Proposal of the Secretaries of Education, Commerce and Agriculture. The Secretaries' proposal, in conjunction with the cost containment principles outlined above and the methodology for indexing low-income school districts found in current federal education law, results in a simple, workable, and equitable program of universal service which deserves the highest level of Board and Commission consideration. The Council has seen no other proposal or recommendation which holds the promise of providing universal service to schools and libraries as expeditiously and cost-effectively as the proposal addressed in this filing.

Respectfully submitted,



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October 24, 1996

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FCC Comment - E-rate Proposal

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